

option is one of the most attractive features of the bill. It is possible for the state to make smaller issues of shorter periods of time. The Legislature would have the flexibility to determine in future sessions whether or not to pay the note off or roll the issue into a larger refunding bond. This leaves the administration and the Legislature with a maximum amount of flexibility to make unforeseen circumstances without the need for entering into long-term debt. A likely scenario is when the federal government would provide the state with discretionary funds to accelerate the interstate reconstruction fund, would provide less than full funding. The state could issue a one-term...one-year note for the amount that is short, say, \$10 million, and the Legislature could decide in the following session whether to simply pay that amount or raise the gas tax or refund it or issue a long term bond for other purpose as well. If the issue is kept within six months of issuance, the state can keep the income received from the six months investment of the bond receipts. The authorization in the amended provision is for the issuance of bonds in an amount not to exceed \$50 million. Funds can be spent for two purposes. The first is for reconstruction, resurfacing...for construction, resurfacing, reconstruction and rehabilitation and restoration of highways in the state, not just the interstate. I think at first when the bill was first introduced it was simply for the interstate. This bill, as I said before, is permissive legislation. There is no requirement that this bond...that bonds will ever be issued. It provides for exercise of the best available financial judgment by the Governor and the Highway Bond Commission in determining when it makes economic sense to issue bonds balanced against existing highway needs and ability of the industry to meet contracts and construction requirements. The next page in the handout that I passed out this morning shows you the new highway construction and bonding flow where the variable tax would raise bonds as needed. And I think then the last two pages simply give a section by section breakdown on the bill. I think some of the sections I would like to highlight with the body. Section 2 permits the state to issue refunding bonds to refinance prior bond issues, to take advantage of the favorable changes in bond rates. The third section, the annual aggregate principal and interest costs cannot exceed the amount equal to 50 percent of the funds flowing into this year's...in the year preceding issuance of the bonds. Presently, 1987 figures, there is 136 million, so that would be a bond issue up to \$68 million and we're below that. Section 4 delineates the provisions that the Highway Commission